



2nd Mid-Term Management Plan (MTP2) Update (Revised July 28th, 2022)

Advantest's Purpose & Mission and Growth Strategy: Our Grand Design

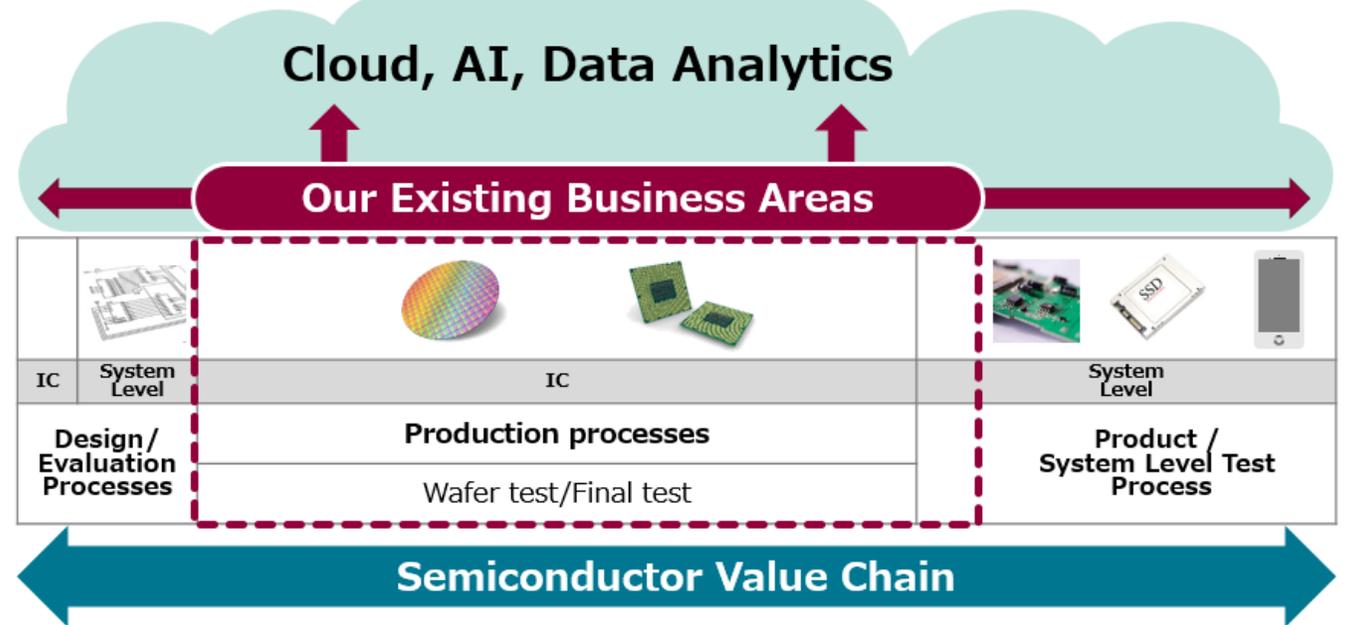
Corporate Purpose & Mission

Enabling Leading-Edge Technologies

Vision Statement

Adding Customer Value in an Evolving Semiconductor Value Chain

- Advantest will further contribute to the semiconductor industry by enriching, expanding, and integrating our test and measurement solutions throughout the entire semiconductor value chain



The above graph was formulated in 2018 to illustrate our Grand Design, launched in that year. It shows how we will realize our management vision. Since then, we have been working to add customer value in line with the concept shown above.

MTP2 (FY2021-FY2023): Growth Strategies & 1st-Year Progress Report

We are steadily implementing the 5 strategies set forth in our Grand Design.

Strategies

- 1 Reinforce Core Businesses, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG initiatives

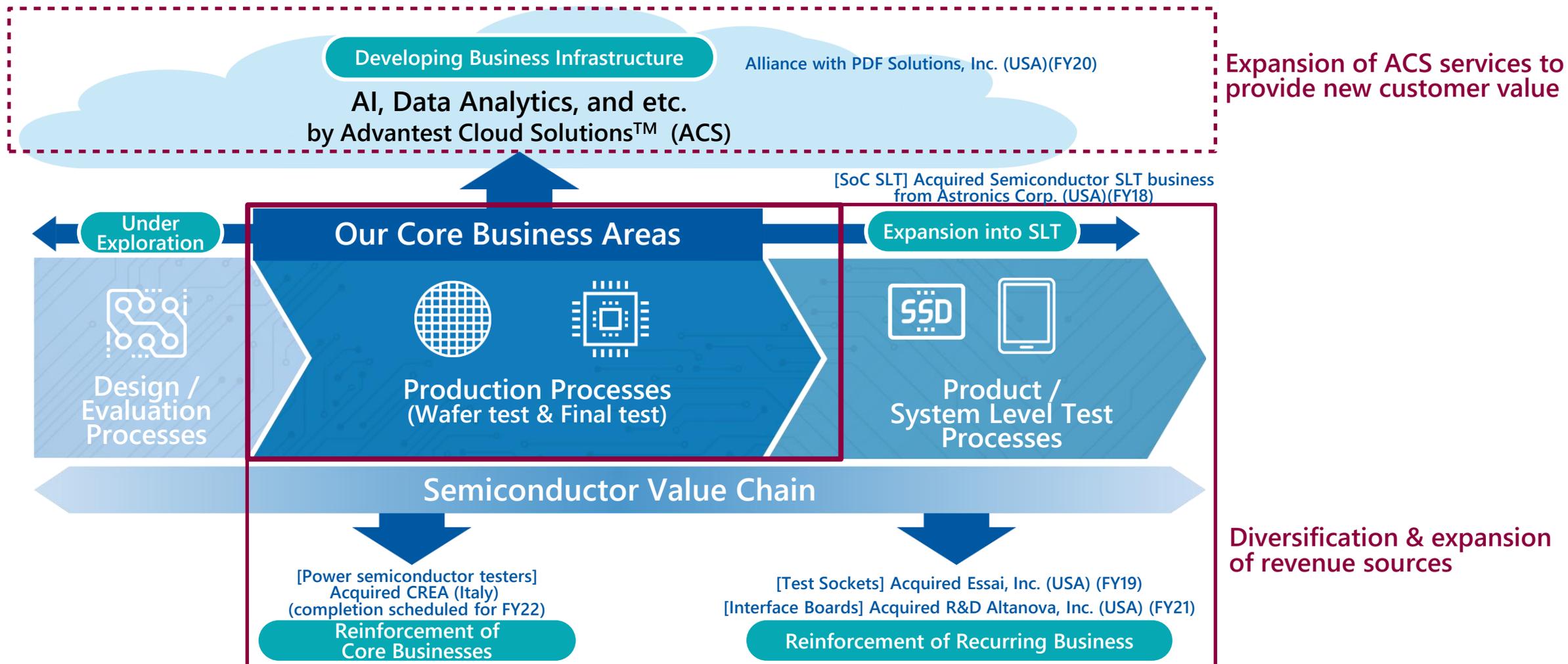


Key 1st-Year Achievements

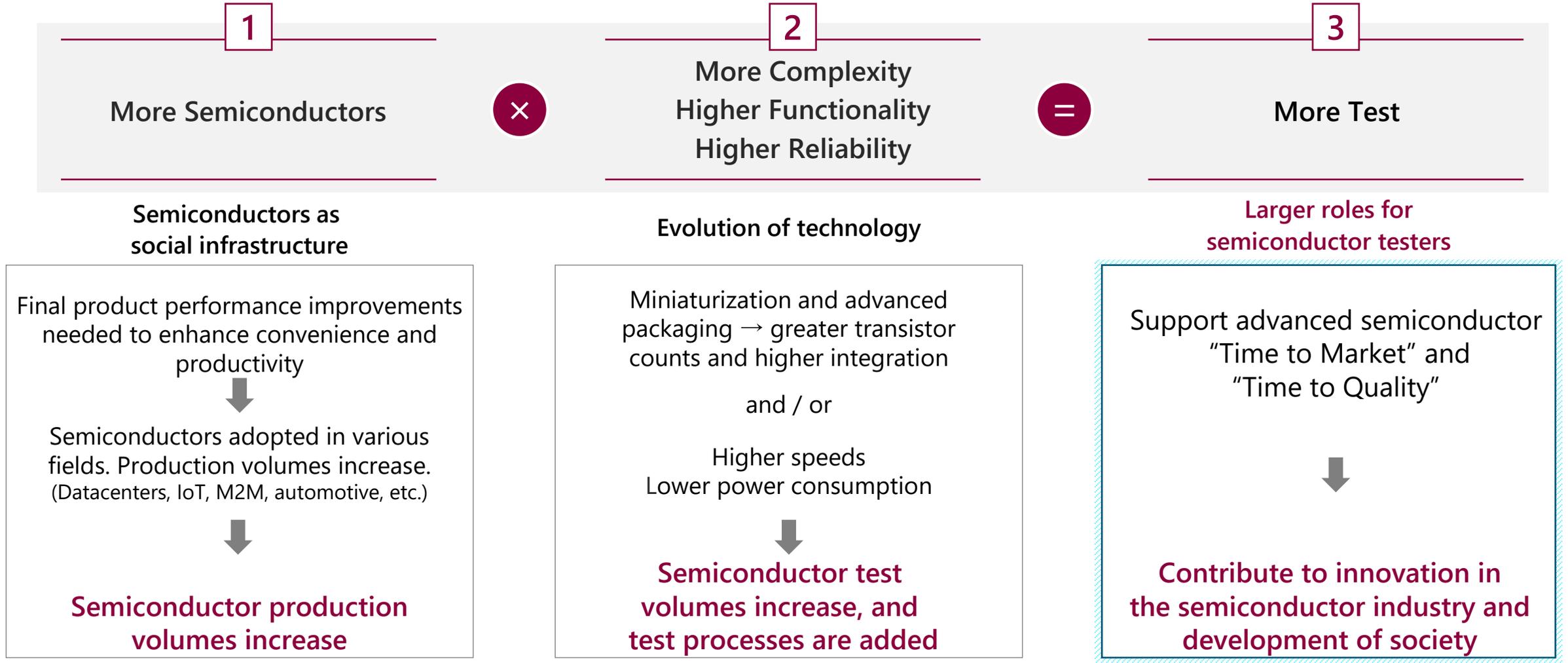
- In order to further enhance our mid/long-term presence in the tester market, we reinforced the lineup of modules for our V93000 EXA Scale SoC tester, and introduced two new memory testers.
- We executed R&D based on a long-term roadmap aligned with semiconductor technology trends. At the same time, by hiring more sales / support personnel, we expanded our tailored solutions for diverse customers and applications.
- To expand our SLT business, we cultivated HPC and smartphone-related demand and focused on sales to the automotive market.
- We acquired US company R&D Altanova, strengthening our test interface business.
- We expanded our Advantest Cloud Solutions(TM) (ACS) services, and implemented hiring with a view to future business expansion.
- The TechInsights Customer Satisfaction Survey named Advantest the SPE industry leader for the third consecutive year.
- We reviewed our global executive system to strengthen earning power, and introduced a CxO system.
- We formulated an ESG Action Plan to promote ESG understanding company-wide.

Where We Are Now: Expansion of Business Domains Based on Our Grand Design

Vision Statement: Adding Customer Value in an Evolving Semiconductor Value Chain



No Change to Growth Trends in Demand for Semiconductor Testers and Their Roles



Future Focus of MTP2

Our view that we are in a phase abounding with various mid/long-term growth opportunities remains unchanged. While basically following the growth measures set forth last year, we will promote various measures to strengthen our growth base for the future.

Company-Wide

- Amidst long-term growth expectations in the semiconductor market, we will strengthen our growth foundation by strengthening supply chain management, DX / AI investment, capital investment, and human resources investment in order to secure our growth potential and reinforce robustness of our business.
- Respond quickly to technological evolution by strengthening partnerships with leading customers in the semiconductor value chain.

Semiconductor and Component Test System Segment

- Capture the expanding demand for test equipment for SoC semiconductors, including HPC devices, a sector which is expected to grow robustly over the mid/long-term, by leveraging the strengths of the new V93000 EXA Scale.
- Establish a leading position in test for millimeter-wave related devices, a sector that will commence full-scale growth during the period of MTP2
- Capture demand in emerging markets such as power semiconductors and silicon photonics devices.
- Maintain a strong business foundation for DRAM and non-volatile memory device test.

Mechatronics System Segment

- Expand sales opportunities by providing test cell environments that deliver better test quality.

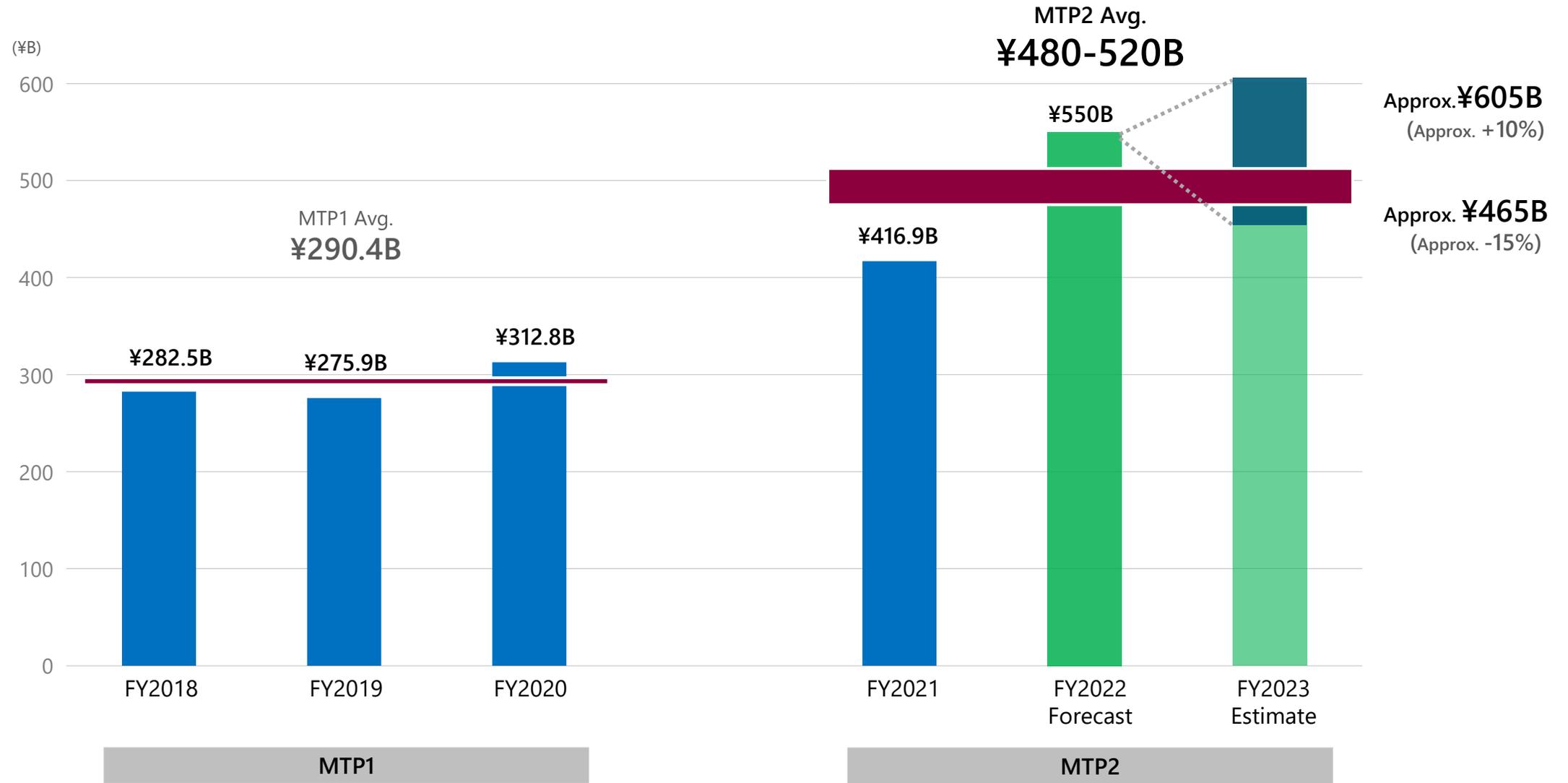
Services, Support, and Others Segment

- As demand for system level testing (SLT) increases, win more customers in mobile, HPC, automotive, memory / storage, etc. In addition, actively promote expansion of recurring business for consumables.
- Invest to refine our business model in the data analytics field and further develop infrastructure for this business.

Regarding These MTP2 Revisions

- The market outlook for FY2023 is currently uncertain, but inventories of some semiconductors related to consumer final products are in an adjustment phase. We recognize that Advantest is also in a phase where a certain degree of future slowdown needs to be taken into account.
- Despite these temporary adjustments, it is expected that the tester market will be supported in the future by demand from the automotive and industrial sectors, where semiconductor shortages continue, and demand for high-end SoCs and memory semiconductors, where customers are strongly motivated to make technology investments.
- In addition, our business structure has changed, and we do not anticipate a large-scale, long-term sales decline such as we sometimes encountered in the past.
- Based on these factors, we currently expect FY2023 year-on-year sales growth to be in the range of approximately -15% to +10%.
- Each of our MTP2 management metrics and related indicators has been revised in consideration of this market outlook, our sales forecast for FY2022-23, and past performance trends, assuming that the current slowdown in the global economy will remain within moderate bounds.

Revised Sales Target



Revised Management Metrics

	MTP1 Results Avg. of FY2018-20	Previous MTP2 Targets ^{*2} (announced May 2021) Avg. of FY2021-23	MTP2 Targets ^{*3} (revised July 2022) Avg. of FY2021-23
Sales	¥290.4 _B	¥350-380 _B	¥480-520 _B
Operating Margin	22.3% ^{*1}	23-25%	27-30%
Net Income	¥60.1 _B	¥62-70 _B	¥98-120 _B
ROE	29.1%	20% or more	30-35%
EPS	¥309	¥320-370	¥510-630

* 1. In MTP1 period, Advantest recorded one-off profit of approximately 12 billion yen.

* 2. The exchange rates used in the previous announcement were 1 USD = 105 JPY and 1 euro = 130 JPY.

* 3. The revised targets use exchange rates for FY2022 2Q-4Q and FY2023: 1 USD = 130 JPY and 1 euro = 140 JPY (actual rates in FY2021 were 1 USD = 112 JPY and 1 euro = 130 JPY, FY2022 1Q rates were 1 USD = 124 JPY and 1 euro = 134 JPY).

Revised Cost / Profit Model

Aiming for further profitability improvements while reinforcing our business

- We will further strengthen our R&D investments, human capital, and material procurement capabilities to create long-term sustainable corporate value.
- We will focus especially on maintaining a high level of R&D investment, which is key to increasing added value and maintaining sustainable competitiveness.
- Our revised MTP2 targets call for a cumulative total R&D investment of approximately ¥170B during the MPT2 period (total cumulative investment in MPT1: approximately ¥120B, previous MPT2 cumulative forecast: approximately ¥150B).
- We will respond flexibly to external changes amid considerable uncertainty in the global economy and our business environment.

	MTP1 Results (FY2018-20 Avg.)	Previous MTP2 Targets (announced May 2021) (FY2021-23 Avg.)	MTP2 Targets (revised July 2022) (FY2021-23 Avg.)
Sales	¥290.4B	¥350-380B	¥480-520B
Cost of Goods Sold	45%	45-46%	42-43%
SG&A as % of Sales	33%	30-31%	28-30%
Operating Margin	22%	23-25%	27-30%

Revised Growth Investment & Shareholder Returns Policy

While prioritizing active investments, expand shareholder returns

Capital Expenditures

- Amid long-term semiconductor market expansion and further semiconductor performance gains, we plan to increase R&D and production capital investment to ¥70B (previously announced value: ¥40B).

Strategic Investment in M&A, etc.

- Search for good targets with potential synergies in areas that will lead to strengthening our end-to-end test solutions.
- Additionally, execute initiatives in line with mid/long-term strategy such as ramping up new businesses.

	FY2018-20 Results	FY2021-23 Investment Targets
Capital Expenditure	¥30.2B	¥70B
Strategic Investments e.g. M&A	¥47.7B	¥100B

Shareholder Return Policy

- To maintain stable and sustainable dividend payments, we will continue to issue a minimum dividend of ¥50 per share for half a year and ¥100 for the full year.
- We continue to target a full-year total return ratio,* including acquisitions of treasury stock, of 50% or more.

(However, there is a possibility that we may not be able to disburse the targeted level of shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected, and / or the deterioration of business performance due to changes in our market environment.)

	FY2018-20 Results	FY2021-23 Estimate
Shareholder Returns (Dividend + Share buybacks)	¥61.7B	¥210B or more

*Total return ratio: (Dividend amount + Share buybacks)/consolidated net income

Revised Capital Policy & Capital Allocation Outlook

Allocate cash flow to investments and shareholder returns, while maintaining financial soundness, to improve capital efficiency

Operating cash flow outlook

- Expected to total ¥280-360B cumulatively during MTP2 period (previously announced value: ¥220B or more)

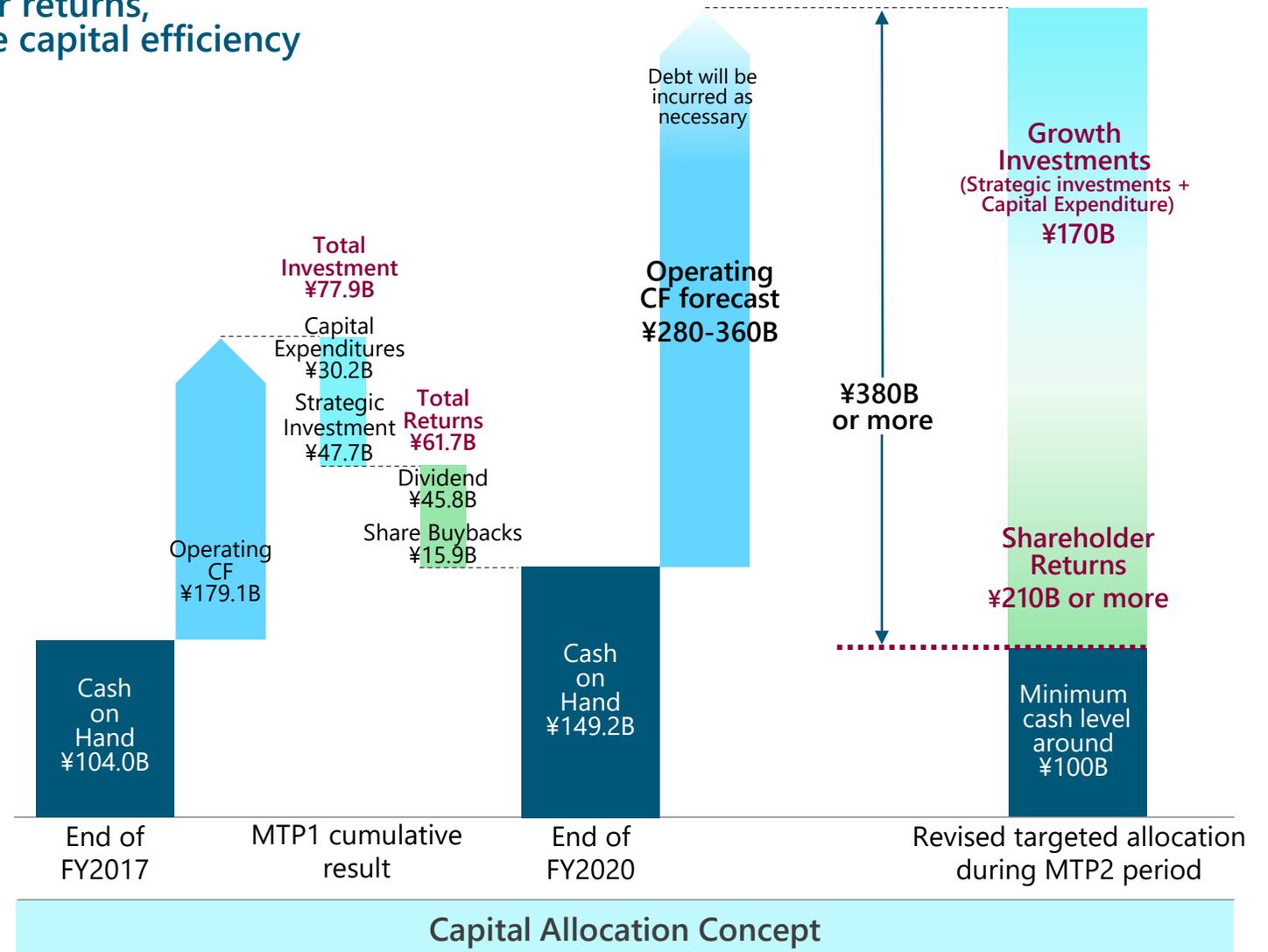
Minimum cash reserves

- Expected to be around ¥100B under normal business conditions
- Increased from the previously announced value of about ¥80B due to business expansion

Balance sheet KPI

: Foundation for further growth and shareholder returns

- Financial soundness: Seek appropriate capital level with shareholder equity ratio of 50% or more
- Capital efficiency: ROE 30-35% (previously announced value: 20% or more)
- ROIC-based business / investment management



ADVANTEST®